Partial Listings

(12) **United States Patent**
Baker

(10) Patent No.: **US 6,473,741 B1**
(45) Date of Patent: Oct. 29, 2002

(54) **METHOD AND SYSTEM FOR AGGREGATION AND EXCHANGE OF ELECTRONIC TAX INFORMATION**

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(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

(21) Appl. No.: **09/376,283**

(22) Filed: **Aug. 18, 1999**

Related U.S. Application Data

(60) Provisional application No. 60/106,581, filed on Nov. 2, 1998, and provisional application No. 60/105,744, filed on Oct. 26, 1998.

(51) Int. Cl.^{7} **G06F 17/60**
(52) U.S. Cl. **705/31**; 705/1; 705/10; 707/3
(58) Field of Search 705/10, 30, 31, 705/1; 707/1, 3–6, 10

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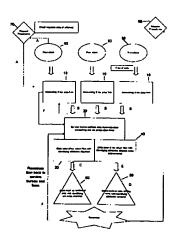
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(57) **ABSTRACT**

A process that arranges information warehoused at individual accounting and tax preparation firms at a central location for the purpose of marketing information. Data contained at these firms have qualitative and quantitative characteristics that are different from data archived at the Internal Revenue Service or other tax authorities. This fact makes the data valuable as data in two ways. First the data can be exchanged to provide new revenue streams. Secondly, these data, if grouped into data warehouses of other firms, has value as pure data, not just customer lists. These data may be sold or rented creating additional revenue streams for their originators. The purchasers of this bulk data are interested in using this data in the field of data mining. Data mining is a technique of analyzing vast amounts of information to uncover relationships to predict events and has wide application in many areas of the economy.

6 Claims, 4 Drawing Sheets

US-PAT-NO: 6473741

DOCUMENT-IDENTIFIER: US 6473741 B1

TITLE: Method and system for aggregation and exchange of
electronic **tax** information

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TITLE - TI (1):
    Method and system for aggregation and exchange of electronic **tax**
information

Brief Summary Text - BSTX (5):
    CPA firms (and other professional income tax return preparers) maintain
paper files of income tax returns as well as computer databases of such income
tax returns. Before a lender will make a loan, the lender will **request** a copy
of several years of income tax returns. Presently, loan applicants must
furnish these copies to the lender. The manual process of handling paper
income tax returns is slow, costly, and places considerable burden on
professional tax preparers because they must furnish clients with copies of
returns who will in turn give them to their lender.

Brief Summary Text - BSTX (7):
    Previously, the Internal Revenue Service began a pilot program around year
1996 that sought to electronically confirm certain key numbers on a tax return
after a **request** was made by a lender participating in the program. The program
did not provide a complete transfer of information on the tax return(s)
requested but only certain information such as a taxpayers adjusted gross
income. Additionally, if the items sought to be confirmed by a lender differed
from the amount confirmed by the Internal Revenue Service, the lender was
obligated to provide the Internal Revenue Service with a complete copy of the
paper tax return submitted by a loan applicant. The loan applicant was then
audited and required to account for the discrepancy.

Brief Summary Text - BSTX (10):

Presently, each invention of prior art differs materially from this invention. Specifically, the method for acquiring income tax financial data that is electronically transferred from a data source is different than the method proposed with this invention. The data is not keypunched or re-entered into a computer in any way. This method does not involve the scanning of any documents as a method of re-entry also. While the IRS method resembles the patent applied for in some limited respects, it only supplies partial tax return data drawn from IRS data. Additionally, for conventionally filed paper income tax returns, IRS personnel must manually keypunch tax return information
into the tangle of IRS computers. This fact would prevent the IRS from rapidly responding to inquiries from 3.sup.rd parties such as lenders in a manner timely enough to achieve the verification desired by the lending industry. Currently, not all tax returns can be **electronically filed** because the Internal Revenue Service is not equipped to receive all returns in electronic format. It is well established that the IRS can takes weeks if not months to process much less acknowledge receipt of tax returns. The accounting profession is in a much better if not ideal position to provide these services. This invention relies on the individual databases of tax return information warehoused at individual accounting and tax preparation firms. These differences in the quality, quantity and specific characteristics of data as well as the origin of the source of data have previously not been recognized or used. This represents a very material difference from all prior art. If there is commercial potential for this discrete tax preparation firm owned data, then it has been grossly under-utilized by the profession at large.

Brief Summary Text - BSTX (15):
   U.S. Pat. No. 5,274,547 issued to Zoffel et al discloses a system and methods for generating credit reports. A central data processor **requests** credit information on an applicant from one or more credit repositories through a dedicated data link. A credit report is then generated and transmits the report to the **requesting** user. **Requests** and reports are transmitted via a communication system or network. If data is inputted from more than one repository, the central data processing facility eliminates duplicated data. However, the Zoffel et al patent does not teach stripping such information of identifiable characteristics so that third parties may use the information for statistical study without compromising the identity of the individual applicants.

Brief Summary Text - BSTX (18):
   U.S. Pat. No. 5,724,523 issued to Longfield discloses an electronic data processing system for preparation of **electronically filed** tax returns and

authorization and payments of refunds based on the data supplied in those returns. Electronic data processing programs are provided for creating an electronic tax return that is filed with a tax collecting authority. At the same time as the electronic tax return is created a loan application is processed to create an electronic deposit/loan account for the tax filer at an authorized credit institution. However, the Longfield patent does not teach storing information from the different tax payers in a central location to be used for statistical study purposes. The Longfield patent does not further teach stripping such information of identifiable characteristics so that third parties may use the information without compromising the identity of the individual tax payer.

Drawing Description Text - DRTX (3):
    FIG. 2. A sample **request** form.

Detailed Description Text - DETX (3):
    In each case the owners of the original accounting and tax preparation firm databases 10 will be paid a usage fee based upon a rational allocation of individual taxpayer files. In the case of a specific tax return **requested** by a mortgage lender 60 for example, the fee will be paid by the mortgage lender 60. This cost will be built into the cost of the loan application process and will appear to be transparent to a loan applicant. The fee will be allocated to the tax preparation firm 10 and the service bureau 20.

Detailed Description Text - DETX (5):
    While data may be dispatched directly from preparing firms 10 in the future, the beginning embodiment is for data to be cleared through a cooperative or service bureau 20. As systems are developed in the future, the data may one day be transmitted directly from originating tax preparation firms 10. It may prove to be convenient for such a service bureau 20 to also serve as a transmitter of **electronically filed** income tax returns because it would make sense to house the information at a single location.

Detailed Description Text - DETX (6):
    For specific tax returns that are **requested** by a lender 60 of other 3.sup.rd party end user (that is returns with specific identifying characteristics of Name, tax identification number and address) a **request** form 70 would be filled out and faxed to the service bureau 20. In the future, an electronic **request** would be used as procedures and technology for authentication of **requests** is put into place and function with adequate controls.

Detailed Description Text - DETX (7):
   FIG. 2 shows a sample **request** form 80 is enclosed with this patent application with the following item descriptions that are numbered from 100 though 1600.

Detailed Description Text - DETX (8):
   Item #100. Date of **request**. (The date a taxpayer **requests** verification of tax data from the service bureau)

Detailed Description Text - DETX (9):
   Item # 200 Fax number. This is the telephone number of the service bureau fax receiving point. At this point, there would either be some human intervention as a cross check for authentication and validity of **request** and/or the form could be scanned into a data storage and retrieval system used to generate data for the **request**.

Detailed Description Text - DETX (15):
   Item # 800. Calendar years **requested** or in the case of fiscal year filers, fiscal years **requested** that relate to the above named individuals or entities.

Detailed Description Text - DETX (17):
   Item # 1100. This is the signature of the authorized firm person such as a partner or the person that actually prepared and signed the return. This person is essentially vouching for the identity of the authorized taxpayer signature contained in item # 900 & 1000. Additionally, a procedure would be established so that a taxpayer could make a direct **request** to the service bureau without a tax preparing firm authorization. In this case a notary seal or other signature guarantee would be required before the **request** for taxpayer data would be processed.

Detailed Description Text - DETX (23):
   Once a valid **request** for data is received by the service bureau 20, the embodiment of the flow of income tax data from the tax preparation firm 10 to the ultimate end user 50,60 is described as follows. See FIG. 1.

Detailed Description Text - DETX (24):

Step A. A **request** for verification is faxed to the service bureau 20 organization that houses data from participating tax preparation firms 10. The **request** is originated by a specific taxpayer 90 who wants to have his or her taxpayer information verified to a lender, for example. This authorizing document (or electronic facsimile), known as the Transmittal from Electronic Return Originator, is processed so that the **requested** data is located in the service bureau 20 data warehouse and packaged or arranged in a format for download into the end users computer system. The format may simply be one currently in use or may be created to facilitate particular needs of end users.

Detailed Description Text - DETX (25):

Step B. Tax preparation firm 10 submits their databases of income tax data for archival and later retrieval by **requesting** organizations. Such retrievals will consist of specific **requests** 70 for taxpayer income tax data with identifying characteristics attached such as name and tax ID#, and **request** for bulk tax data stripped of specific identifying data to be used for data mining purposes by a variety of organizations. Clients of accounting and tax preparation firms 90 engage and employ these professional service firms 10 to assist them with their tax compliance matters. As a result of automated tax preparation, these accounting and tax firms 10 have warehouses of databases of
tax returns in digitized format. These data warehouses are kept traditionally to satisfy Internal Revenue Service rules relating to record keeping and have not been viewed as having a value outside this requirement. Such firm owned databases also represent customer lists that are used for assigning a dollar value as to goodwill or going concern value. These values for goodwill or going concern have no previously recognized value in the marketplace except for purposes of selling an entire or portion of a tax practice and/or for cross selling additional financial products and services. The value of these data lists as lists has been grossly unutilized. Step C. As a result of owning these data bases of taxpayer data that originate form the performance of professional accounting and tax preparation services 10, these data now have value if they can be organized and coordinated to capitalize on the data as data and not just customer lists. By participating in the massive archival of all firm data at a central service bureau 20, a service bureau 20 can organize all these data and coordinate dissemination of such data for a rental fee or user fee. This fee is very different from fees collected by professional accounting and tax preparation firms 10 for the original purpose of their work. That being assisting the client in complying with myriad tax rules. It is this new used coupled with the fact that the data originate directly from tax preparation firms 10 instead of the Internal Revenue Service or other tax authorities together with the fact that the quantitative and qualitative characteristics of the data are very different from data archived by tax

authorities makes this system extremely commercially valuable.

Detailed Description Text - DETX (29):
   The embodiments for effecting data exchanges between accounting and tax preparation firms 10, the service bureau 20, and companies performing data mining of taxpayer data 50 are similar to the **request** procedures above. There will be a **request** procedure 95 to receive data stripped of identifying characteristics. The **request** 95 will consist of a form that specifies the exact parameters of data **requested** such as zip codes, income levels, age of taxpayer, etc. The **request** would be similar to that used in the list brokering industry except that the use of the information will be for data mining and not marketing directly.

Detailed Description Text - DETX (36):
   First, a service bureau 20 can provide no cost or very low cost off site archival of data. Backing up firm 10 data is a critical function that is frequently overlooked by smaller accounting and tax preparation firms. Secondly, a service bureau 20 can provide no cost or very low cost transmission of **electronically filed** income tax returns. Currently, most firms 10 pay a user fee to their software vendor for this service. Then, data is stored in detail with associated identifying characteristics of the taxpayers such as name, social security numbers, and addresses. These data are to be stored on a
separate system 30 that protects the confidentiality of each taxpayer and may only be released with proper authorization procedures and controls. These data are also converted to an electronic format suitable for retrieval by users **requesting** information such as a mortgage lender The format will enable mortgage lenders to directly download the complete tax return into their analysis software and/or credit scoring software.

Detailed Description Text - DETX (38):
   While data may be dispatched directly from preparing firms in the future, the beginning embodiment is for data to be cleared through a cooperative or service bureau. As systems are developed in the future, the data may one day be transmitted directly from originating tax preparation firms. It may prove to be convenient for such a service bureau to also serve as a transmitter of **electronically filed** income tax returns because it would make sense to house the information at a single location.

Detailed Description Text - DETX (39):

For specific tax returns that are **requested** by a lender of other 3.sup.rd party end user (that is returns with specific identifying characteristics of Name, tax identification number and address) a **request** form would be filled out and faxed to the service bureau. In the future, an electronic **request** would be used as procedures and technology for authentication of **requests** is put into place and function with adequate controls.

Detailed Description Text - DETX (40):
   A sample **request** form is enclosed with this patent application with the following item descriptions that are numbered from 1 though 16.

Detailed Description Text - DETX (41):
   Item #1. Date of **request**. (The date a taxpayer **requests** verification of tax data from the service bureau)

Detailed Description Text - DETX (42):
   Item # 2 Fax number. This is the telephone number of the service bureau fax receiving point. At this point, there would either be some human intervention as a cross check for authentication and validity of **request** and/or the form could be scanned into a data storage and retrieval system used to generate data for the **request**.

Detailed Description Text - DETX (48):
   Item # 8. Calendar years **requested** or in the case of fiscal year filers, fiscal years **requested** that relate to the above named individuals or entities.

Detailed Description Text - DETX (50):
   Item # 11. This is the signature of the authorized firm person such as a partner or the person that actually prepared and signed the return. This person is essentially vouching for the identity of the authorized taxpayer signature contained in item # 9 & 10. Additionally, a procedure would be established so that a taxpayer could make a direct **request** to the service bureau without a tax preparing firm authorization. In this case a notary seal or other signature guarantee would be required before the **request** for taxpayer data would be processed.

Detailed Description Text - DETX (55):
   Once a valid **request** for data is received by the service bureau, the

embodiment of the flow of income tax data from the tax preparation firm to the ultimate end user is described as follows. Each step is labeled to correlate to a schematic diagram that is enclosed with this patent application.

Detailed Description Text - DETX (56):
   Step A. A **request** for verification is faxed to the service bureau organization that houses data from participating tax preparation firms. The **request** is originated by a specific taxpayer who wants to have his or her taxpayer information verified to a lender, for example. This authorizing document (or electronic facsimile), known as the Transmittal from Electronic Return Originator, is processed so that the **requested** data is located in the service bureau data warehouse and packaged or arranged in a format for download
into the end users computer system. The format may simply be one currently in use or may be created to facilitate particular needs of end users.

Detailed Description Text - DETX (57):
   Step B. Tax preparation firm submits their databases of income tax data for archival and later retrieval by **requesting** organizations. Such retrievals will consist of specific **requests** for taxpayer income tax data with identifying characteristics attached such as name and tax ID#, and **request** for bulk tax data stripped of specific identifying data to be used for data mining purposes by a variety of organizations. Clients of accounting and tax preparation firms engage and employ these professional service firms to assist them with their tax compliance matters. As a result of automated tax preparation, these accounting and tax firms have warehouses of databases of tax returns in digitized format. These data warehouses are kept traditionally to satisfy Internal Revenue Service rules relating to record keeping and have not been viewed as having a value outside this requirement. Such firm owned databases also represent customer lists that are used for assigning a dollar value as to goodwill or going concern value. These values for goodwill or going concern have no previously recognized value in the marketplace except for purposes of selling an entire or portion of a tax practice and/or for cross selling additional financial products and services. The value of these data lists as lists has been grossly unutilized.

Detailed Description Text - DETX (60):
   The embodiments for effecting data exchanges between accounting and tax preparation firms, the service bureau, and companies performing data mining of taxpayer data are similar to the **request** procedures above. There will be a **request** procedure to receive data stripped of identifying characteristics. The

request will consist of a form that specifies the exact parameters of data **requested** such as zip codes, income levels, age of taxpayer, etc. The **request** would be similar to that used in the list brokering industry except that the use of the information will be for data mining and not marketing directly.

Claims Text - CLTX (1):

1. A method for the electronic exchange and storage of complete tax returns, the method comprising: receiving complete tax returns over the Internet prepared by a plurality of tax return preparation entities in original format; storing the complete tax returns in original form in a central database, the central database providing offsite back up of the complete tax returns; compiling specific data from the complete tax returns, the compilation containing statistically significant information from the tax returns prepared by the plurality of tax return preparation entities; storing the statistically significant information in a second database; receiving a **request from a requesting** party for use of the statistically significant information; retrieving data from the statistically significant information to fill the **request**; sending the **requested** data to the **requesting** party; and charging a fee for retrieving and sending the **requested** data to the **requesting** party.

Claims Text - CLTX (2):

2. A method for the electronic exchange and storage of complete tax returns, the method comprising: receiving complete tax returns over the internet prepared by a plurality of tax return preparation entities in original format; storing the complete tax returns in original form in a central database, free of charge the central database providing offsite back up of the complete tax returns; compiling specific data from the complete tax returns, the compilation containing statistically significant information from the tax returns prepared by the plurality of tax return preparation entities; storing the statistically significant information in a second database; receiving a **request from a requesting** party for use of the statistically significant information; retrieving data from the statistically significant information to fill the **request**; sending the **requested** data to the **requesting** party; and charging a fee for retrieving and sending the **requested** data to the **requesting** party.

Claims Text - CLTX (5):

5. A system for the electronic exchange and storage of complete tax returns, the system comprising: a plurality of independent processing means for electronic preparation and transmission of complete tax returns; a central

database having a communication link to the plurality of independent processing means for receiving transmissions from the plurality of independent processing means, the central database storing the complete tax returns in quantities statistically significant for analysis; a central processing means compiling specific types of data from the central database; a second data base storing the compiled data from the central processing means; a **request** processing means having a communication link to the plurality of independent processing means, the **request** processing means having algorithmic means for processing a
request for information and for sending **requested** information to the plurality of independent processing means; and an automatic electronic processing means
for collecting a fee for accessing the compiled data.

Current US Original Classification - CCOR (1):
705/31

Current US Cross Reference Classification - CCXR (1):
705/1

Current US Cross Reference Classification - CCXR (2):
705/10